

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name TAYMOUTH TOWNSHIP	County SAGINAW
Fiscal Year End JUNE 30, 2007	Opinion Date OCTOBER 28, 2007	Date Audit Report Submitted to State NOVEMBER 15, 2007	

We affirm that:

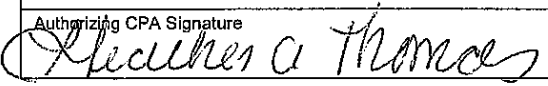
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
  - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
  - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
  - ☒ ☐ The local unit has adopted a budget for all required funds.
  - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
  - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
  - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
  - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
  - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
  - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
  - ☒ ☐ The local unit is free of repeated comments from previous years.
  - ☒ ☐ The audit opinion is UNQUALIFIED.
  - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
  - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
  - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	NOT REQUIRED	
Certified Public Accountant (Firm Name) GARDNER, PROVENZANO, SCHAUMAN & THOMAS P.C.		Telephone Number 989-790-3900	
Street Address 4855 STATE STREET		City SAGINAW	State MI
		Zip 48603	
Authorizing CPA Signature 	Printed Name HEATHER A. THOMAS		License Number 1101024719

**TAYMOUTH TOWNSHIP**  
**Saginaw County, Michigan**  
**FINANCIAL STATEMENTS**  
**June 30, 2007**

TOWNSHIP OFFICIALS

DOUGLAS JAMES

SUPERVISOR

GAIL BASNER

CLERK

CAROLE KONESKO

TREASURER

LARRY SMITH

TRUSTEE

AARON DODAK

TRUSTEE

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# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

## INDEPENDENT AUDITOR'S REPORT

October 28, 2007

To the Township Board  
Taymouth Township  
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and business type activities of Taymouth Township, Saginaw County, Michigan as of and for the year ended June 30, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and business type activities of Taymouth Township, Saginaw County, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township Board  
Taymouth Township  
Saginaw County, Michigan  
Page Two

The management's discussion and analysis and budgetary comparison listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Gardner, Provenzano, Schauman & Thomas, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## TAYMOUTH TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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This section of the Township of Taymouth's annual financial report presents our discussion of Taymouth Township's financial performance during the fiscal year ended June 30, 2007. Please read it in conjunction with the Township's financial statements.

### **Overview of the Financial Statements**

The following are the most significant financial highlights for the year ended June 30, 2007. State-shared revenue, the Township's major revenue source remained about the same as the prior year. Having anticipated slight decrease, but knowing a fund balance was available if necessary, the initial budget for fiscal year end 2007 was established at a rate about the same as the prior year. The Township was able to operate within the adopted budget.

### **Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting to measure the cost of providing services during the current year and whether the taxpayers have funded the full cost of providing government services.

The Statement of Net Assets and the Statement of Activities distinguish functions of the Township that are primarily supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, and trash pick-up. The business-type activities of the Township include water services.

The Fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fund financial can be divided into three categories including governmental funds, proprietary funds, and fiduciary funds. The fiduciary fund statements provide information about activities for which the Township acts solely as a trustee or agent for the benefit of those outside the government.



TAYMOUTH TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**The Township as a Whole**

For the fiscal year ended June 30, 2007, assets exceeded liabilities by \$5,540,388 compared to \$5,316,539 in the prior year. A large portion of the Township's net assets (56%) reflects its investment in capital assets (i.e. land, buildings, vehicles, equipment and water lines) less any related debt used to acquire those assets that are still outstanding. Although the Township's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Governmental Activities**

The Township's total governmental revenues were \$1,026,291. The largest portion is from charges for services which include tipping fees. The only operational landfill in Saginaw County is located in the Township. A host agreement between the Township and Waste Management base these fees on the amount of refuse received at People's Landfill. The second largest source of revenue is state revenue sharing.

The Township incurred governmental expenses of \$824,810 during the year.

**Business-type Activities**

The Township's business-type activities consist of the Water Fund. Water is provided to approximately 40% of the Township's residents. Water is purchased from the City of Saginaw at a price controlled by the City. The cost is passed to each individual customer.

During the year ended June 30, 2004, the Water Fund refunded bonds Phases I-IV with a total outstanding debt of \$1,565,000 and replaced them with a consolidated bond issuance of \$965,000, lowering the debt for those bonds by \$600,000. During the current year the Township made payments on all water fund debt of \$160,000 leaving a total outstanding debt of \$1,590,000.

The following tables provide a summary of the Township's net assets as of June 30, 2007 and the changes in net assets for the year ended June 30, 2007.

**TAYMOUTH TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

	Government Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Assets</b>						
Current assets	\$ 1,117,553	\$ 969,812	\$ 1,586,020	\$ 1,552,556	\$ 2,703,573	\$ 2,522,368
Noncurrent assets	679,175	744,244	3,996,975	4,101,069	4,676,150	4,845,313
Total Assets	<u>\$ 1,796,728</u>	<u>\$ 1,714,056</u>	<u>\$ 5,582,995</u>	<u>\$ 5,653,625</u>	<u>\$ 7,379,723</u>	<u>\$ 7,367,681</u>
<b>Liabilities</b>						
Current liabilities	\$ 148,128	\$ 179,437	\$ 193,707	\$ 145,000	\$ 341,835	\$ 324,437
Long-term liabilities	87,500	175,000	1,410,000	1,605,000	1,497,500	1,780,000
Total Liabilities	<u>235,628</u>	<u>354,437</u>	<u>1,603,707</u>	<u>1,750,000</u>	<u>1,839,335</u>	<u>2,104,437</u>
Investment in capital assets-net	504,175	481,744	2,586,975	2,351,069	3,091,150	2,832,813
Unrestricted	1,056,925	877,875	1,392,313	1,552,556	2,449,238	2,430,431
Total Net assets	<u>\$ 1,561,100</u>	<u>\$ 1,359,819</u>	<u>\$ 3,979,288</u>	<u>\$ 3,903,625</u>	<u>\$ 5,540,388</u>	<u>\$ 5,263,244</u>

	Governmental Activities		Business-type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
<b>Revenue</b>						
Program revenue						
Charges for services	\$ 405,453	\$ 288,051	\$ 376,169	\$ 357,116	\$ 781,622	\$ 645,167
General revenue						
Property taxes	194,052	195,358	-	-	194,052	195,358
State revenue sharing	325,676	333,672	-	-	325,676	333,672
Interest	32,433	186,843	93,660	88,011	126,093	274,854
Other revenue	48,677	65,395	-	36,565	48,677	101,960
Gain on sale of asset	20,000	-	-	-	20,000	-
Total Revenue	<u>1,026,291</u>	<u>1,069,319</u>	<u>469,829</u>	<u>481,692</u>	<u>1,496,120</u>	<u>1,551,011</u>
Program Expense						
Legislative	6,371	6,361	-	-	6,371	6,361
General government	223,418	221,321	-	-	223,418	221,321
Public safety	213,560	215,707	-	-	213,560	215,707
Public works	239,519	353,708	-	-	239,519	353,708
Recreation and culture	84,145	78,299	-	-	84,145	78,299
Water	-	-	313,468	424,422	313,468	424,422
Other	48,596	58,039	-	-	48,596	58,039
Interest on debt	9,201	-	80,698	-	89,899	-
Total Program Expenses	<u>824,810</u>	<u>933,435</u>	<u>394,166</u>	<u>424,422</u>	<u>1,218,976</u>	<u>1,357,857</u>
Change in Net Assets	<u>\$ 201,481</u>	<u>\$ 135,884</u>	<u>\$ 75,663</u>	<u>\$ 57,270</u>	<u>\$ 277,144</u>	<u>\$ 193,154</u>

### **The Township's Funds**

Taymouth Township's governmental funds for 2006-2007 are the same as in the prior fiscal year and include the General Fund, Library Fund, Park Fund, and Trash Fund. These funds were created by the Township board to manage money for specific purposes as well as to show accountability for assessments collected as part of the property taxes. The Township has opted to display information for all funds without regard to the criteria established by GASB 34 for determination

TAYMOUTH TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**The Township's Funds (continued)**

of major funds. If the GASB 34 criteria had been used, the trash fund would have been considered a major fund.

The General Fund is the chief operating fund of the Township and pays for most of the Township's governmental services. The most significant expenses are for road and bridge maintenance and replacement. Although roads and bridges are controlled by the Saginaw County Road Commission, Taymouth Township continues to seek the best use of the dollar by bidding out portions of projects when allowable and using all allocation monies provided by the county.

The Trash Fund had an increase in fund balance of \$6,297 and was able to transfer out \$10,000 to the General Fund. All expenses for this fund are considered trash collection expense. Revenues for the Trash Fund are derived from special assessments.

**General Fund Budgetary Highlights**

Throughout the year, the Township Board makes adjustments to the budget as needed. The most significant adjustments from the first to final budget are as follows:

**REVENUES:**

- Building Permits were higher than had been anticipated mainly due to a \$7,000 permit issued for a major construction project in May of 2007 at the generator plant on the landfill property.
- State Sales Tax received from the state was less than anticipated.
- Interest rates fortunately have increased and the Township has through diligence acquired enough in savings to collect interest.
- An additional \$20,000 was budgeted for the sale of the old fire engine.
- A transfer of \$5,000 was made from the Fire Truck Fund Savings account in order to make the loan payment to National City. The Township Board had originally, upon purchasing the equipment, agreed to fund \$50,000 toward the two vehicles. We are not yet to that limit.
- A transfer of \$19,582 was made from the Roads and Bridges Savings and credited to the Roads and Bridges line item under DPW. We had thought we would need this amount to finish the Burt Road Bridge project.

**EXPENSES:**

- The Roads and Bridge line item was adjusted because of the Burt Road project and the money taken from the savings that we thought would be needed to finish the project. In addition, some of the work which was requested in May of 2007 was not done or billed until the fall of 2007.

TAYMOUTH TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**General Fund Budgetary Highlights (continued)**

The significant variances in the final budget to actual are due to reclassifying audit adjustments.

**Capital Asset and Debt Administration**

Capital asset additions for the current year included a lawn mower, new dugouts and a camera.

A major expense on the horizon in the Water Fund will be the purchase of a one ton truck with a three yard dump box and snowplow.

The Park Fund will see significant expenses in fiscal year 2007-2008 as all five ball diamonds will have infield surfacer applied. This project will also entail the need for drainage.

The Township paid \$247,500 of principal on long-term debt.

**Economic Indicators and Next Year's Budget**

With the uncertainty of state shared revenue continuing but having successfully operated during the 2005-2006 fiscal year without having to touch the fund balance which has been building over the past several years, the Township budgeted at about the same rate for 2007 as fiscal year end 2006. Employees were given minimal raises while elected officials salaries remained the same for the third year.

The Special Assessment for fire equipment continues in its third of five years. National City Bank provided the installment loan for the rescue squad and frontline pumper. The Township has committed up to \$50,000 if necessary toward the loan repayment. The Township board feels this was a necessary purchase and the implementation of the Special Assessment was the most equitable option for the residents.

As stated previously, the water is controlled by the City of Saginaw. A new contract is still being negotiated. All costs incurred by providing this service are passed directly to the water customers. Anticipating state regulations becoming more stringent and given the age of the original water lines, the water department continues building a healthy fund balance for future major expenditures. The Burt Road bridge project has been completed under cost estimates.

TAYMOUTH TOWNSHIP  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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**Contacting the Township's Management**

This financial report is intended to provide taxpayers, citizens and investors with a general overview of the Township's finances and accountability for the money received. If you have any questions about this report or need additional information, please contact the Clerk's office.

## **FINANCIAL STATEMENTS**

TAYMOUTH TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF NET ASSETS  
June 30, 2007

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current assets:			
Cash	\$ 948,356	\$ 692,091	\$ 1,640,447
Deposits with Saginaw County	-	4,596	4,596
Accounts receivable	37,869	75,209	113,078
Prepays	31,340	-	31,340
Due from other governmental units	99,988	-	99,988
Due from other funds	-	6,238	6,238
Special assessment receivable	-	807,886	807,886
Total current assets	<u>1,117,553</u>	<u>1,586,020</u>	<u>2,703,573</u>
Capital assets:			
Capital assets	2,147,211	5,307,668	7,454,879
Less accumulated depreciation	<u>(1,468,036)</u>	<u>(1,310,693)</u>	<u>(2,778,729)</u>
Net capital assets	<u>679,175</u>	<u>3,996,975</u>	<u>4,676,150</u>
 Total Assets	 <u>\$ 1,796,728</u>	 <u>\$ 5,582,995</u>	 <u>\$ 7,379,723</u>
 <u>Liabilities and Net Assets</u>			
Current liabilities:			
Accounts payable	\$ 25,105	\$ 13,707	\$ 38,812
Deposits payable	29,285	-	29,285
Due to other funds	6,238	-	6,238
Current portion of long-term liabilities	87,500	180,000	267,500
Total current liabilities	<u>148,128</u>	<u>193,707</u>	<u>341,835</u>
Long-term liabilities:			
Note payable	87,500	-	87,500
Bonds payable	-	1,410,000	1,410,000
Total long-term liabilities	<u>87,500</u>	<u>1,410,000</u>	<u>1,497,500</u>
Net assets:			
Invested in capital assets net of related debt	504,175	2,586,975	3,091,150
Unrestricted	1,056,925	1,392,313	2,449,238
Total net assets	<u>1,561,100</u>	<u>3,979,288</u>	<u>5,540,388</u>
 Total Liabilities and Net Assets	 <u>\$ 1,796,728</u>	 <u>\$ 5,582,995</u>	 <u>\$ 7,379,723</u>

See accompanying notes to basic financial statements.

TAYMOUTH TOWNSHIP  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

		Program Revenue	Governmental Activities	Business Type Activities	Total
			Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets	Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services			
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
Legislative	\$ 6,371	\$ -	\$ (6,371)	\$ -	\$ (6,371)
General government	223,418	220,070	(3,348)	-	(3,348)
Public safety	213,560	-	(213,560)	-	(213,560)
Public works	239,519	161,039	(78,480)	-	(78,480)
Recreation and culture	84,145	24,344	(59,801)	-	(59,801)
Interest in debt	9,201	-	(9,201)	-	(9,201)
Other	48,596	-	(48,596)	-	(48,596)
Total Governmental Activities	<u>824,810</u>	<u>405,453</u>	<u>(419,357)</u>	<u>-</u>	<u>(419,357)</u>
Business-Type Activities:					
Water	<u>394,166</u>	<u>376,169</u>	<u>-</u>	<u>(17,997)</u>	<u>(17,997)</u>
Total Government	<u>\$ 1,218,976</u>	<u>\$ 781,622</u>	<u>(419,357)</u>	<u>(17,997)</u>	<u>(437,354)</u>
General Revenues:					
Property taxes			194,052	-	194,052
State revenue sharing			325,676	-	325,676
Interest			32,433	93,660	126,093
Miscellaneous			48,677	-	48,677
Total General Revenues			<u>600,838</u>	<u>93,660</u>	<u>694,498</u>
Excess (deficiency) of revenues over expenses before special items			181,481	75,663	257,144
Gain on sale of assets			20,000	-	20,000
Change in net assets			201,481	75,663	277,144
Net assets, Beginning of Year Restated			1,359,619	3,903,625	5,263,244
Net assets, End of Year			<u>\$ 1,561,100</u>	<u>\$ 3,979,288</u>	<u>\$ 5,540,388</u>

See accompanying notes to the financial statements.



TAYMOUTH TOWNSHIP  
BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2007

	General	Trash Fund	Library	Park	Total
<u>Assets</u>					
Cash	\$ 827,393	\$ 101,749	\$ 3,100	\$ 16,114	\$ 948,356
Accounts receivable	37,869	-	-	-	37,869
Prepays	31,340	-	-	-	31,340
Due from other governments	99,988	-	-	-	99,988
Due from other funds	4,524	-	-	-	4,524
Total Assets	<u>\$ 1,001,114</u>	<u>\$ 101,749</u>	<u>\$ 3,100</u>	<u>\$ 16,114</u>	<u>\$ 1,122,077</u>
<u>Liabilities and Fund Equity</u>					
Liabilities:					
Accounts payable	12,931	12,174	-	-	\$ 25,105
Due to other funds	-	-	2,921	7,841	10,762
Deposits payable	29,185	-	-	100	29,285
Total liabilities	<u>42,116</u>	<u>12,174</u>	<u>2,921</u>	<u>7,941</u>	<u>65,152</u>
Fund equity:					
Fund balances:					
Unreserved:					
Undesignated	958,998	89,575	179	8,173	1,056,925
Total fund equity	<u>958,998</u>	<u>89,575</u>	<u>179</u>	<u>8,173</u>	<u>1,056,925</u>
Total Liabilities and Fund Equity	<u>\$ 1,001,114</u>	<u>\$ 101,749</u>	<u>\$ 3,100</u>	<u>\$ 16,114</u>	<u>\$ 1,122,077</u>

See accompanying notes to the financial statements.

TAYMOUTH TOWNSHIP  
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2007

Total fund balances - governmental funds	\$ 1,056,925
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds balance sheet	
Capital assets at cost	2,147,211
Accumulated depreciation	(1,468,036)
Notes payable are not due and payable in the current period and not reported in the fund statements	(175,000)
Total net assets - governmental activities	<u>\$ 1,561,100</u>

See accompanying notes to the financial statements.

TAYMOUTH TOWNSHIP  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2007

	General	Trash Fund	Library	Park	Total
Revenues:					
Property taxes	\$ 194,052	\$ -	\$ -	\$ -	\$ 194,052
Special assessment	-	161,039	-	-	161,039
Licenses and permits	62,923	-	-	-	62,923
Intergovernmental	322,165	-	3,511	-	325,676
Fine and forfeits	853	-	19,838	-	20,691
Charges for services	152,994	-	-	-	152,994
Interest	29,848	2,501	12	72	32,433
Rent	3,300	-	2,050	2,456	7,806
Other	17,440	-	7,284	10,303	35,027
Total revenues	<u>783,575</u>	<u>163,540</u>	<u>32,695</u>	<u>12,831</u>	<u>992,641</u>
Expenditures:					
Legislative	6,371	-	-	-	6,371
General government	216,493	-	-	-	216,493
Public safety	137,855	-	-	-	137,855
Public works	87,492	147,243	-	-	234,735
Recreation and culture	-	-	62,356	16,313	78,669
Capital outlay	20,473	-	-	7,348	27,821
Other	48,596	-	-	-	48,596
Total expenditures	<u>517,280</u>	<u>147,243</u>	<u>62,356</u>	<u>23,661</u>	<u>750,540</u>
Excess (deficiency) of revenues over expenditures	266,295	16,297	(29,661)	(10,830)	242,101
Other financing sources (uses)					
Insurance recovery	150	-	-	-	150
Sale of assets	20,000	-	-	-	20,000
Operating transfers in	23,500	-	28,189	16,000	67,689
Operating transfers out	(140,890)	(10,000)	-	-	(150,890)
Total other financing sources (uses)	<u>(97,240)</u>	<u>(10,000)</u>	<u>28,189</u>	<u>16,000</u>	<u>(63,051)</u>
Excess (deficiency) of revenues and other sources over expenditures and other sources	169,055	6,297	(1,472)	5,170	179,050
Fund Balances, Beginning restated	789,943	83,278	1,651	3,003	877,875
Fund Balances, Ending	<u>\$ 958,998</u>	<u>\$ 89,575</u>	<u>\$ 179</u>	<u>\$ 8,173</u>	<u>\$ 1,056,925</u>

See accompanying notes to basic financial statements.

TAYMOUTH TOWNSHIP  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2007

Net Changes in Fund Balances-Total Governmental Funds	\$ 179,050
Amounts reported for governmental activities in the Statement of Activities are different because,	
Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation Expense	(92,890)
Capital Outlay	27,821
Repayment of the principal portion of notes payable is an expenditure in the governmental funds, but not in the government-wide statements	
	87,500
Change in Net Assets of Governmental Activities	<u>\$ 201,481</u>

See accompanying notes to the basic financial statements.

TAYMOUTH TOWNSHIP  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2007

	Proprietary Fund Type Water Fund Type
<u>Assets</u>	
Current assets:	
Cash	\$ 692,091
Deposits with Saginaw County	4,596
Accounts receivable	75,209
Due from other funds	6,238
Total current assets	<u>778,134</u>
Other assets	
Special assessment receivable	807,886
Capital assets, net of accumulated depreciation	3,996,975
Total other assets	<u>4,804,861</u>
Total Assets	<u>\$ 5,582,995</u>
<u>Liabilities and Net Assets</u>	
Current liabilities:	
Accounts payable	\$ 13,707
Current portion of long-term liabilities	180,000
Total current liabilities	<u>193,707</u>
Long-term liabilities:	
Bonds payable	1,410,000
Total long-term liabilities	<u>1,410,000</u>
Total liabilities	<u>1,603,707</u>
Net assets:	
Invested in capital assets net of related debt	2,586,975
Unrestricted	1,392,313
Total net assets	<u>3,979,288</u>
Total Liabilities and Net Assets	<u>\$ 5,582,995</u>

See accompanying notes to the basic financial statements.

TAYMOUTH TOWNSHIP  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	Water General
Operating revenues:	
Charges for water services	\$ 354,291
Connection fess and meter charges	3,090
Other	18,788
Total operating revenues	<u>376,169</u>
Operating expenses:	
Labor	38,847
Payroll taxes	3,571
Benefits	4,000
Cost of water	103,971
Operations and maintenance	9,284
Water line tap in expense	3,891
County administrative fee	2,734
Depreciation	104,093
Supplies	15,700
Administrative expense	18,430
Professional fees	1,350
Other	7,597
Total operating expenses before depreciation	<u>313,468</u>
Operating income (loss)	62,701
Non-operating revenues and (expenses)	
Interest income	93,660
Interest expense	(80,698)
Total non-operating revenues and (expenses)	<u>12,962</u>
Change in net assets	75,663
Net Assets, Beginning of year	3,903,625
Net Assets, End of Year	<u><u>\$ 3,979,288</u></u>

See accompanying notes to basic financial statements.

TAYMOUTH TOWNSHIP  
STATEMENT OF CASH FLOWS - BUSINESS-TYPE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2007

	Water General
Cash flows from operating activities:	
Cash received from customers	\$ 474,427
Cash payments to suppliers for goods and services	(149,250)
Cash payments to employees	(46,733)
Net cash provided (used) for operating activities	<u>278,444</u>
Cash flows from capital and related financing activities:	
Principal paid on loans and bonds	(160,000)
Interest paid on loans and bonds	(80,698)
Net cash provided (used) for capital and related financing activities	<u>(240,698)</u>
Cash flows from investing activities:	
Interest income	93,660
Net cash provided (used) for investing activities	<u>93,660</u>
Net increase (decrease) in cash and cash equivalents	131,406
Cash and Cash Equivalents, Beginning of the year	560,685
Cash and Cash Equivalents, End of the year	<u><u>\$ 692,091</u></u>
Reconciliation of operating income to net cash provided (used) for operating activities:	
Operating income (loss)	\$ 62,701
Depreciation	104,093
Receivables	98,258
Other assets	(315)
Accounts payable	13,707
Net cash provided (used) for operating activities	<u><u>\$ 278,444</u></u>

See accompanying notes to basic financial statements.

## **NOTES TO THE FINANCIAL STATEMENTS**



TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Accounting Policies

Taymouth Township, Saginaw County, Michigan (Township) complies with accounting principles generally accepted in the United States of America. The Township's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, to the extent that those pronouncements do not conflict with or contradict GASB pronouncements. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

Reporting Entity

Taymouth Township, Saginaw County, Michigan was organized in 1842 and covers an area of approximately thirty-six square miles. The Township operates under an elected Township Board (5 members) and provides services to its various residents in many areas, including health and sanitation, community enrichment and development and human services. In evaluating how to define the Township, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in generally accepted accounting principles (GAAP), currently GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Based upon the application of these criteria, the financial statements of Taymouth Township, Saginaw County, Michigan contain all the funds controlled by the Township's Board. No other entity meets the criteria to be considered a blended component unit or a discretely presented component unit of the Township.

Basic Financial Statements – Government-Wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Fiduciary funds, such as the Tax Collections Fund, are excluded from government-wide financial statements, although the Township's Tax Collections fund had no assets or liabilities as of June 30, 2007.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Policies (continued)

Basic Financial Statements – Government-Wide Statements (continued)

In the government-wide statement of net assets, the activities are presented on a consolidated basis by column, and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in two parts: invested in capital assets, net of related debt and unrestricted net assets

The government-wide statement of activities demonstrates the degree to which the direct expenses (including depreciation) of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

In creating the government-wide financial statements, the Township has eliminated interfund transactions. This government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Statements

Separate financial statements are provided for governmental funds and proprietary funds. The Township has opted to display information for all funds without regard to the criteria established by GASB 34 for determination of major funds. If the GASB 34 criteria had been used, the trash fund would have been considered a major fund.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and expenditures relating to claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Township's proprietary funds relate to charges to customers for services. The water fund also recognizes the portion of tapping fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

The Township reports the following governmental funds:

General Fund

The General Fund is used to account for all financial transactions not accounted for in other funds, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Special Revenue Fund

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for a specific purpose. The Trash, Library and Park funds are special revenue funds.

The Township reports the following major proprietary fund:

Water Fund

The Water Fund is used to account for operations that provide water services to citizens, and is financed primarily by user charges or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control or accountability.

Additionally, the Township reports the following fund types:

Agency Fund – Current Tax Collections Fund

The Current Tax Collections Fund is an agency fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Current Tax Collections Fund is used to account for taxes collected as an agent for other governmental units.

Deposits and Investments

The Township's cash consists of cash on hand and checking and savings accounts.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligation of the U.S. Treasury, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township is also authorized to invest in investment pools managed by qualified financial institutions.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Accounts Receivable

The Township considers all accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts has been provided. If amounts become uncollectible, they will be charged to operations in the period of uncollectibility.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are stated at cost or, if donated, at estimated fair market value at the time of donation. Expenditures that materially extend the life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of fixed assets is reflected in the capitalized value of the asset constructed.

Depreciation has been provided over the estimated useful lives of the capital assets using the straight-line method. The estimated useful lives are as follows:

Water system	50-70 years
Buildings	30-50 years
Land improvements	15-20 years
Equipment	5-10 years
Vehicles	3-8 years

Total depreciation expense for the Township for the year ended June 30, 2007 was \$104,094 for business-type activities (Water Fund) and \$92,890 for governmental activities.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 1--Summary of Significant Policies (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

Prepays

Prepaid amounts consist of payments for which the Township will have a future benefit and will be used up a date beyond the current year-end.

Compensated Absences

No accrual has been recorded for unpaid sick and vacation time since the amount is immaterial to the financial statements of the Township at June 30, 2007.

Long-Term Obligations

In the government-wide financial statements and the proprietary fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges.

Fund Equity

Designations of unreserved fund balances in Governmental Funds indicate tentative plans for use of financial resources in a future period. Unreserved fund balances for Governmental Funds represent the amount available for budgeting future operations.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 2--Budgets and Budgetary Policies

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. The Township does not maintain a formalized encumbrance accounting system.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 30, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the General fund budget is adopted by activity. In the special revenue funds, budgets are adopted at the functional level.
2. A Public hearing is conducted at a budget hearing to obtain citizens' comments.
3. Prior to July 1, the budget is legally adopted by a Township Board resolution pursuant to the uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. Any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for all funds except the Tax Collections Fund, which is an agency fund.
6. The budget, as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30, 2007.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 3--Cash and Cash Equivalents – Credit Risk

At June 30, 2007, the Township's deposits were reported in the financial statements in the following categories:

	Governmental Activities	Business- Type Activities	Total
Cash and cash equivalents	\$ 948,356	\$ 692,091	\$ 1,640,447

At June 30, 2007, the book value of the Township's deposits, consisting primarily of interest-bearing savings, and checking accounts was \$1,640,447 and the bank balances were \$1,707,843. Of the bank balances, \$244,068 was covered by Federal depository insurance and \$1,463,775 was uninsured and uncollateralized; therefore, subjecting the Township to custodian credit risk. Custodian credit risk is the risk that, in the event of a bank failure, the Township's deposits may not be returned.

The Township places its deposits with high quality financial institutions. Although such deposits exceed federally insured limits, they are in the opinion of the Township subject to minimal risk.

NOTE 4--Capital Assets

Capital asset activity of the Township's governmental activities for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital assets not subject to depreciation				
Land	\$ 102,909	\$ -	\$ -	\$ 102,909
Capital assets subject to depreciation				
Land improvements	187,716	7,348	-	195,064
Buildings	500,019	-	-	500,019
Equipment	1,465,037	20,473	136,291	1,349,219
Subtotal	2,152,772	27,821	136,291	2,044,302
Accumulated Depreciation				
Land improvements	168,720	1,869	-	170,589
Building	393,854	5,031	-	398,885
Equipment	948,863	85,990	136,291	898,562
Subtotal	1,511,437	92,890	136,291	1,468,036
Net capital assets being depreciated	641,335	(65,069)	-	576,266
Net governmental capital assets	\$ 744,244	\$ (65,069)	\$ -	\$ 679,175



TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Capital Assets (continued)

Capital asset activity of the Township's business-type activities for the year ended June 30, 2007 was as follows:

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
<b>BUSINESS-TYPE ACTIVITIES</b>				
Capital assets subject to depreciation				
Water system	5,286,986	-	-	5,286,986
Vehicles	20,682	-	-	20,682
Subtotal	5,307,668	-	-	5,307,668
Accumulated Depreciation				
Water system	1,185,917	-	-	1,185,917
Vehicles	20,682	104,094	-	124,776
Subtotal	1,206,599	104,094	-	1,310,693
Net Business-type capital assets	\$ 4,101,069	\$ (104,094)	\$ -	\$ 3,996,975

Depreciation expenses were charged as follows:

Governmental activities:

General government	\$ 6,925
Public safety	75,705
Public works	4,784
Library	148
Park	5,328
Total	<u>\$ 92,890</u>

Business-type activities:

Water	<u>\$ 104,094</u>
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NOTE 5--Property Taxes

The Township bills and collects its own taxes and taxes on behalf of Saginaw County and the school districts within the Township boundaries. Property taxes are levied and become a lien on each December 1 on the taxable valuation of property located in Taymouth Township as of the preceding December 31 and are due without penalty on or before February 28. The taxable assessed value of the certified roll on December 31, 2006, upon which the levy for the 2007 fiscal year was based, was \$88,993,062. The collection of property taxes and remittance to the proper authority are accounted for in the Current Tax Collections Fund. Property tax revenue levied in December is recognized as revenue for the year ended June 30, 2007.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 5--Property Taxes (continued)

The tax rate assessed for the year ending June 30, 2007 to finance General Fund operations was .8,949 per \$1,000 valuation.

NOTE 6--Risk Management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. The Township carries commercial insurance for risks to cover these losses. The Township also continues to carry commercial insurance for other risks of loss, including accident insurance.

NOTE 7--Long-Term Debt

Governmental activities:

Long-term debt consists of notes payable, recorded as an expenditure within the general fund. At June 30, 2007, this debt consisted of the following:

\$350,000 note payable dated July 13, 2005, due in annual installments of \$97,402 to \$90,563 through May 1, 2009, bearing an interest rate of 3.55%	<u>\$ 175,000</u>
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Business-type activities:

Long -term debt consists of general obligation bonds payable, recorded as a business-type activity within the water fund. At June 30, 2007, this debt consisted of the following:

\$950,000 bonds dated October 1, 1999, due in annual installments of \$10,000 to \$100,000 through May 1, 2019 bearing interest rates of 5.20% to 7.20% (Phase V)	\$ 820,000
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\$190,000 bonds dated August 1, 2001, due in annual installments of \$5,000 to \$10,000 through May 1, 2021 bearing interest rates of 4.30% to 5.10% ( Phase (VI)	140,000
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\$965,000 bonds dated April 28, 2005, due in annual installments of \$5,000 to \$135,000 through June 1, 2015, bearing an interest rate of 3.55%	630,000
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Total bonds payable	<u>\$ 1,590,000</u>
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TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

NOTE 7--Long-Term Debt (continued)

A summary of changes in debt follows:

	Balance Beginning	Increases	Decreases	Balance Ending
Governmental activities:				
Note payable	\$ 262,500	\$ -	\$ 87,500	\$ 175,000
Business-type activities:				
Phase V	\$ 855,000	\$ -	\$ 35,000	\$ 820,000
Phase VI	150,000	-	10,000	140,000
Refunding	745,000	-	115,000	630,000
Total business-type activities	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ 160,000</u>	<u>\$ 1,590,000</u>

Annual aggregate maturities for governmental activities for the years subsequent to June 30, 2007 follow:

Year ending	Principal	Interest	Total
June 30			
2008	\$ 87,500	\$ 6,125	\$ 93,625
2009	87,500	3,063	90,563
Total	<u>\$ 175,000</u>	<u>\$ 9,188</u>	<u>\$ 184,188</u>

Annual aggregate maturities for business-type activities for the years subsequent to June 30, 2007 are as follows:

Year ending	Principal	Interest	Total
June 30			
2008	\$ 180,000	\$ 71,269	\$ 251,269
2009	180,000	63,615	243,615
2010	175,000	55,779	230,779
2011	160,000	48,626	208,626
2012-2016	545,000	163,966	708,966
2017-2021	350,000	38,790	388,790
	<u>\$ 1,590,000</u>	<u>\$ 442,045</u>	<u>\$ 2,032,045</u>

Total interest expense for the Township for the year ended June 30, 2007 was \$89,899 and \$119,105 for June 30, 2006. The portion of this amount attributable to governmental activities was \$9,201 for 2007 and \$22,272 for 2006. The balance was attributable to business-type activities.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 8--Excess of Expenditures Over Appropriations in Budgetary Funds

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted as the activity and line item levels.

During the year ended June 30, 2007, the Township incurred expenditures in excess of the amounts appropriated, except as illustrated in the supplemental information.

NOTE 9--Segment Information for Proprietary Fund

The Township maintains one Proprietary Fund which provides water services. Segment information for the year ended June 30, 2007 for the Water Fund was as follows:

Operating revenue	\$ 376,169
Deprecation	104,093
Operating income	62,701
Change in net assets	75,663
Net working capital	584,427
Total assets	5,582,995
Bonds payable	1,590,000
Total net assets	3,979,288

NOTE 10--Building Inspection Department

P.A. 245 of 1999 allows local units to continue to account for enforcing agency activities within the general fund as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity without creating a separate fund.

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 10--Building Inspection Department (continued)

During the fiscal year ended June 30, 2007, the enforcing agency collected the following fees and incurred the following expenditures:

Revenue

Charge for services	\$ 56,725
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Expenditures

Wages	41,936
Payroll taxes	3,912
Education and training	942
Supplies	524
Travel	448
Membership/ dues expenditures	95
Telephone	236
Legal	1,725
Total expenditures	<u>49,818</u>

Net revenue	<u>\$ 6,907</u>
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NOTE 11--Retirement Plan

The Township has a deferred compensation plan that was established by the Michigan Township Association. The plan is administered in ING and covers substantially all full and part-time employees. The employer matches dollar for dollar of employee contributions up to \$300. For the year ended June 30, 2007, employee contributions were \$14,898 and employer contributions were \$9,900. Benefits attributable to employee and employer contributions are 100% vested.

NOTE 12--Restatement

Fund balance for the general fund at June 30, 2006 has been restated by \$53,295. The fund balance was decreased due to a receivable not reserved for the year ended June 30, 2005. Fund balance was restated as follows:

Fund balance June 30, 2006 as previously stated:	\$ 843,238
Adjustment for state revenue sharing	(53,295)
Fund balance, restated	<u>\$ 789,943</u>
Net assets June 30, 2006 as previously stated:	\$ 1,412,914
Adjustment for state revenue sharing	(53,295)
Net assets, restated	<u>\$ 1,359,619</u>

TAYMOUTH TOWNSHIP  
NOTES TO FINANCIAL STATEMENTS

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NOTE 13--Interfund Activity

The makeup of interfund balances and transfers are as follows:

Due From		Due To	
General Fund	\$ 2,921	Library	\$ 2,921
General Fund	1,603	Park	1,603
Water	6,238	Park	6,238
Total	<u>\$ 10,762</u>	Total	<u>\$ 10,762</u>
Outgoing Transfer		Incoming Transfer	
General Fund	\$ 28,189	Library	\$ 28,189
General Fund	16,000	Park	16,000
Trash Fund	10,000	General Fund	10,000
Total	<u>\$ 54,189</u>	Total	<u>\$ 54,189</u>

For the year ended June 30, 2007 transfers from the General Fund to the Park and Library funds were to subsidize those programs. The transfer from the Trash Fund to the General Fund was to subsidize the road and bridge project.

## **REQUIRED SUPPLEMENTAL INFORMATION**

TAYMOUTH TOWNSHIP  
GENERAL FUND  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes:				
Current tax levy	\$ 84,927	89,564	84,120	\$ (5,444)
Property tax administration fees	25,400	26,508	26,508	-
Fire Assessment	-	-	83,424	83,424
Total taxes	<u>110,327</u>	<u>116,072</u>	<u>194,052</u>	<u>77,980</u>
Licenses and permits:				
Building permits	60,000	75,477	56,752	(18,725)
Trailer fees	2,300	2,517	2,517	-
Land division application fee	400	400	400	-
Dog license	50	45	45	-
Planning and zoning	2,755	2,824	2,824	-
Liquor license fee	385	385	385	-
Total licenses and permits	<u>65,890</u>	<u>81,648</u>	<u>62,923</u>	<u>(18,725)</u>
Intergovernmental:				
State sales tax	330,547	314,564	310,895	(3,669)
Metro fees	4,500	5,820	5,820	-
State refund	5,517	-	5,450	5,450
Total intergovernmental	<u>340,564</u>	<u>320,384</u>	<u>322,165</u>	<u>1,781</u>
Charges for services:				
Security guard	300	400	400	-
Host agreement	147,192	137,260	138,379	1,119
Sale of cemetery lots	8,000	4,250	4,250	-
Grave openings/closings	6,000	9,965	9,965	-
Total charges for services	<u>161,492</u>	<u>151,875</u>	<u>152,994</u>	<u>1,119</u>
Other revenues				
Fines and forfeits	1,000	853	853	-
Interest	10,750	29,389	29,848	459
Rent	3,275	3,300	3,300	-
Other	23,300	43,978	17,440	(26,538)
Total other revenues	<u>38,325</u>	<u>77,520</u>	<u>51,441</u>	<u>(26,079)</u>
Total revenues	716,598	747,499	783,575	36,076
Expenditures (Schedule of General Fund Expenditures)	<u>662,483</u>	<u>627,950</u>	<u>517,280</u>	<u>(110,670)</u>
Excess of revenues over (under) expenditures	<u>54,115</u>	<u>119,549</u>	<u>266,295</u>	<u>146,746</u>
Other financing sources (uses)				
Insurance recovery and dividend	1,500	637	150	(487)
Sale of assets	-	-	20,000	20,000
Operating transfers in	13,500	38,082	23,500	(14,582)
Fire Truck Installment Loan	-	-	(96,701)	(96,701)
Operating transfers (out)	(59,389)	(56,389)	(44,189)	12,200
Total other financing sources (uses)	<u>(44,389)</u>	<u>(17,670)</u>	<u>(97,240)</u>	<u>(79,570)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	9,726	101,879	169,055	67,176
Fund balance at beginning of year, restated	<u>789,943</u>	<u>789,943</u>	<u>789,943</u>	<u>-</u>
Fund balance at end of year	<u>799,669</u>	<u>891,822</u>	<u>958,998</u>	<u>67,176</u>



TAYMOUTH TOWNSHIP  
GENERAL FUND  
Schedule of General Fund Expenditures  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Legislative:				
Township Board	<u>7,150</u>	<u>5,948</u>	<u>6,371</u>	<u>(423)</u>
General Government:				
Supervisor	21,913	20,807	23,389	(2,582)
General service	69,061	60,999	61,001	(2)
Clerk	28,610	28,975	29,254	(279)
Elections	6,600	5,936	4,929	1,007
Assessor	33,019	32,282	32,283	(1)
Treasurer	25,975	25,473	26,273	(800)
Community center	12,848	12,979	13,570	(591)
Cemeteries	12,880	19,441	19,441	(0)
Opera house	6,434	6,352	6,353	(1)
Total general government	<u>217,340</u>	<u>213,244</u>	<u>216,493</u>	<u>(3,249)</u>
Public safety:				
Fire department	80,510	71,454	79,375	(7,921)
Central dispatch	1,800	-	-	-
Inspection department	82,488	80,880	58,480	22,400
Total public safety	<u>164,798</u>	<u>152,334</u>	<u>137,855</u>	<u>14,479</u>
Public works:				
Department of Public Works	<u>186,850</u>	<u>140,522</u>	<u>87,492</u>	<u>53,030</u>
Capital outlay:				
General government	8,100	8,194	5,599	2,595
Public safety	20,000	27,795	14,874	12,921
Public works	3,000	-	-	-
Total capital outlay	<u>31,100</u>	<u>35,989</u>	<u>20,473</u>	<u>15,516</u>
Other:				
Workers compensation	9,000	6,624	6,624	-
Trailer park fees	2,300	1,550	1,550	-
Insurance	35,000	63,427	32,087	31,340
Miscellaneous	8,945	8,313	8,335	(22)
Total other	<u>55,245</u>	<u>79,914</u>	<u>48,596</u>	<u>31,318</u>
Total expenditures	<u>\$ 662,483</u>	<u>\$ 627,950</u>	<u>\$ 517,280</u>	<u>\$ 110,670</u>

TAYMOUTH TOWNSHIP  
Trash Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Special assessment	\$ 161,716	\$ 161,039	\$ 161,039	\$ -
Interest	1,000	2,501	2,501	-
Total revenues	<u>162,716</u>	<u>163,540</u>	<u>163,540</u>	
Expenditures				
Public works:				
Garbage collection	<u>148,129</u>	<u>156,004</u>	<u>147,243</u>	<u>8,761</u>
Excess of revenues over (under) expenditures	14,587	7,536	16,297	(8,761)
Other financing sources (uses)				
Transfers in (out)	(10,000)	(10,000)	(10,000)	-
Excess of revenues and other financing sources over (under) expenditures and other financing uses	4,587	(2,464)	6,297	(8,761)
Fund balance at beginning of year	<u>83,278</u>	<u>83,278</u>	<u>83,278</u>	<u>-</u>
Fund balance at end of year	<u>\$ 87,865</u>	<u>\$ 80,814</u>	<u>\$ 89,575</u>	<u>\$ (8,761)</u>

## **OTHER SUPPLEMENTAL INFORMATION**

TAYMOUTH TOWNSHIP  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2007

<u>Name of Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Year Ending June 30,</u>	<u>Annual Principal</u>	<u>Annual Interest Payment</u>
Phase V	10/1/1999	\$ 9,500,000	7.20%	2008	\$ 35,000	\$ 44,700
			7.20%	2009	40,000	42,180
			6.60%	2010	40,000	39,300
			5.20%	2011	45,000	36,660
			5.20%	2012	50,000	34,320
			5.20%	2013	55,000	31,720
			5.20%	2014	75,000	28,860
			5.20%	2015	85,000	24,960
			5.20%	2016	95,000	20,540
			5.20%	2017	100,000	15,600
			5.20%	2018	100,000	10,400
			5.20%	2019	100,000	5,200
					<u>\$ 820,000</u>	<u>\$ 334,440</u>

TAYMOUTH TOWNSHIP  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2007

<u>Name of Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Year Ending June 30,</u>	<u>Annual Principal</u>	<u>Annual Interest Payment</u>
Phase VI	8/4/2001	\$ 190,000	4.30%	2008	\$ 10,000	\$ 6,600
			4.30%	2009	10,000	6,170
			4.30%	2010	10,000	5,740
			4.40%	2011	10,000	5,310
			4.50%	2012	10,000	4,870
			4.60%	2013	10,000	4,420
			4.70%	2014	10,000	3,960
			4.80%	2015	10,000	3,490
			4.90%	2016	10,000	3,010
			5.00%	2017	10,000	2,520
			5.00%	2018	10,000	2,020
			5.00%	2019	10,000	1,520
			5.10%	2020	10,000	1,020
			5.10%	2021	10,000	510
					<u>\$ 140,000</u>	<u>\$ 51,160</u>

TAYMOUTH TOWNSHIP  
SCHEDULE OF INDEBTEDNESS  
JUNE 30, 2007

<u>Name of Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Interest Rate</u>	<u>Year Ending June 30,</u>	<u>Annual Principal</u>	<u>Annual Interest Payment</u>
Refunding bond Phases I-IV	4/28/2004	\$ 965,000	3.55%	2008	\$ 135,000	\$ 19,969
			3.55%	2009	130,000	15,265
			3.55%	2010	125,000	10,739
			3.55%	2011	105,000	6,656
			3.55%	2012	110,000	2,840
			3.55%	2013	15,000	621
			3.55%	2014	5,000	266
			3.55%	2015	5,000	89
					<u>\$ 630,000</u>	<u>\$ 56,445</u>



# Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner  
Giacamo Provenzano  
James R. Schauman  
Heather A. Thomas

October 28, 2007

Township Board  
Taymouth Township  
Saginaw County, Michigan

We appreciate the opportunity to conduct your audit this year. As we have discussed with you previously, we are writing to you as we complete the audit to communicate any control deficiencies we identified to be significant deficiencies or material weaknesses.

This communication is a requirement of the new auditing standard: **Statement on Auditing Standards (SAS 112): Communicating Internal Control Related Matters Identified in an Audit**. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006.

In planning and performing our audit of your financial statements for the period ending June 30, 2007, we applied generally accepted auditing standards (GAAS) as we considered your internal control over financial reporting (internal control) as a basis for designing our auditing procedures. We did this for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of your internal controls. Accordingly, as part of your audit, we are not expressing an opinion on the effectiveness of your internal control.

Our consideration of internal control was for the limited purpose of conducting your organization's audit and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did identify certain deficiencies in internal control that are opportunities for strengthening internal controls and operating efficiency. They are as follows:

#### Audit Adjustments

We noted that audit entries had not been recorded for the year ended June 30, 2006. In order for the interim financial statements to be accurate and meaningful, we recommend that audit entries be posted after each audit has been completed.

### Chart of Accounts

We noted that the chart of accounts used internally by the Township Clerk and Township Treasurer are not the same chart of accounts used by the Township's accounting firm. Since the chart of accounts used internally prescribes to the Department of Treasury's mandated format, we recommend the Township's accounting firm use the same chart of accounts as used internally.

### State Construction Code Act

Treasury Numbered Letter 2000-6 dated June 2, 2000 requires a separate special revenue fund for a Building Department if the fees charged are intended to recover the full cost of the enforcing agency.

Since it appears as though the fees charged for inspections are meant to cover the full costs of the enforcing agency, we recommend the following:

- The Township Board should pass a resolution to create the new special revenue fund. The Department of Treasury has reserved fund number 249 for this purpose.
- Include this fund with the special revenue budgetary procedures currently in place.

### Transfer of Cash

We noted that transfers of cash from one cash account to another cash account within the same fund are being treated as revenue and expenditure.

Transfer of cash from one cash account to another within the same fund is neither revenue nor expenditures for that fund.

We recommend that procedures for making transfers be reviewed and updated to accommodate for the proper accounting of cash transfers.

### Deposits

We noted deposits and the return of deposits for various activities are being treated as revenue and expenditures for the fund receipting and disbursing the funds.

If the intent of the deposit, in most cases, is to be returned to the resident, neither revenue nor expenditure should be recorded.



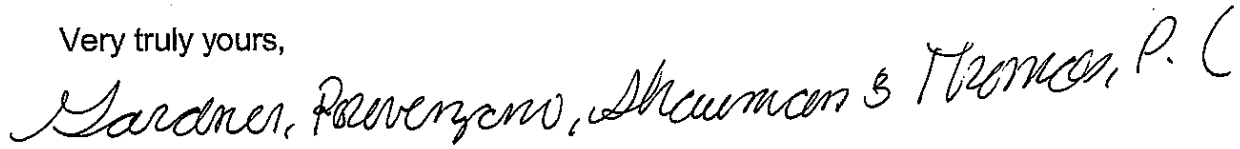
Taymouth Township  
October 28, 2007  
Page Three

We recommend liability accounts be established in the appropriate funds to accommodate those deposits that are intended to be returned to the resident.

When the deposit is received by the Township the liability account should be credited and when disbursed the liability account should be debited.

The preceding comments and recommendations are intended solely for the information and use of the management and others within the organization and should not be used by anyone other than these specified parties. We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the Township Clerk, and we will be pleased to discuss them in further detail at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "Gardner, Provenzano, Schauman & Thomas, P.C." The signature is written in dark ink and is positioned to the right of the typed name.

Gardner, Provenzano, Schauman & Thomas, P.C.